

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 TRSE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 EA-06 FRB-03 INR-07 IO-10 NEA-09

NSAE-00 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

SSO-00 NSCE-00 SS-15 NSC-05 INRE-00 XMB-02 FEA-01

PA-01 PRS-01 USIE-00 /098 W
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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 6768

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PASS TREASURY FOR PIGOTT

E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: UPDATE OF POTENTIAL GNP GAPS FOR OECD COUNTRIES

REF: CLARK/GERVERS TELCON, APRIL 23

1. MISSION HAS OBTAINED SEMI-ANNUAL FIGURES FOR POTENTIAL GNP GAPS IN 1973 AND 1974 FOR 18 OECD COUNTRIES, AS REQUESTED REFTELCON. EARLIER FIGURES, ON WHICH COEFFICIENT OF VARIATION OF POTENTIAL OUTPUT GAPS IN CHART R OF JULY 1973 "ECONOMIC OUTLOOK" WERE BASED, CAN BE FOUND IN OECD "OCCASIONAL STUDIES" ENTITLED, "THE MEASUREMENT OF DOMESTIC CYCLICAL FLUCTUATIONS," OF JULY 1973.

2. SECRETARIAT COVERING NOTE EMPHASIZES "THAT WHILE THESE FIGURES SHOULD BE SUFFICIENTLY GOOD FOR THE PURPOSE OF CALCULATING THE DISPERSION OF BUSINESS CYCLE POSITIONS OF THE VARIOUS OECD COUNTRIES, WE WOULD NOT BE LIMITED OFFICIAL USE

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VERY HAPPY FOR THEM TO BE USED AS GAP ESTIMATES PER SE.

THE POTENTIAL GNP ESTIMATES EMPLOYED WERE MERE EXTRA-POLATIONS AND WERE NOT BASED ON A RE-WORKING OF THE FIGURES TO ALLOW FOR THE ENERGY CRISIS, "UNDER-INVESTMENT," OR ANY OTHER FACTORS WHICH MAY HAVE AFFECTED POTENTIAL."

3. GNP GAPS FOR 1973-1974 ARE GIVEN BELOW, ALL FIGURES AS PERCENT OF POTENTIAL GNP.

	1973		1974	
	I	II	I	II
CANADA	-0.4	-1.1	-0.9	-3.8
UNITED STATES	-1.4	-2.4	-5.9	-9.4
JAPAN	-0.4	-2.8	-10.7	-13.4
AUSTRALIA	-1.6	-3.0	-5.5	-7.5
FRANCE	-0.1	-0.3	-0.9	-2.7
GERMANY	0.2	-1.7	-1.8	-5.4
ITALY	-5.7	-3.5	-3.2	-7.4
UNITED KINGDOM	-0.6	-1.6	-4.7	-3.7
BELGIUM	0.3	0.3	0.8	-0.8
NETHERLANDS	-1.7	-1.7	-3.0	-5.3
DENMARK	-2.0	-2.6	-3.3	-6.7
IRELAND	-1.0	-3.1	-4.2	-7.3
AUSTRIA	2.0	1.7	1.4	1.0
FINLAND	-1.3	0.7	-0.1	-1.4
NORWAY	-0.3	-0.2	-0.3	-1.5
SWEDEN	-3.7	-4.6	-4.1	-4.7
SWITZERLAND	2.2	0.3	-1.5	-3.8
SPAIN	0.4	0.9	0.4	-1.1

4. WITH REGARD TO METHODOLOGY USED IN PREPARING CO-EFFICIENTS OF VARIATION, WE ASKED ANDREA BOLTHO, WHO WAS HEAD OF ECONOMIC PROSPECTS DIVISION IN JULY 1973, BUT HE WAS UNABLE TO GIVE US SPECIFICS SINCE ALL STAFF MEMBERS CONCERNED WITH THIS STUDY HAVE NOW LEFT OECD. HOWEVER, HE THOUGHT THAT SEMI-ANNUAL FIGURES FOR GNP GAPS HAD BEEN SUBJECTED TO SIMPLE AVERAGING PROCESSES BEFORE CALCULATION OF COEFFICIENTS OF VARIATION. HE ALSO WAS NOT SURE LIMITED OFFICIAL USE

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WHETHER BASIC DATA WAS WEIGHTED ACCORDING TO 1970 GNP AND EXCHANGE RATES, AND HE SUGGESTED THAT CALCULATIONS BE MADE ON BOTH BASES (WEIGHTED AND NON-WEIGHTED) TO SEE WHICH CURVE FITS MORE CLOSELY TO CHART R IN JULY 1973 "ECONOMIC OUTLOOK."
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP10606
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750146-0224
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750416/aaaaapfn.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 APRIL 23
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UPDATE OF POTENTIAL GNP GAPS FOR OECD COUNTRIES
TAGS: ECON, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006